STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Wisconsin Energy Corporation, Integrys Energy Group, Inc., Peoples Energy, LLC, The Peoples Gas Light and Coke Company, North Shore Gas Company ATC Management, Inc., and American Transmission Company, LLC	)	
	)	14-0496
Application pursuant to Section 7-204 of the Public Utilities Act for authority to engage in a Reorganization, to enter into agreements with affiliated interests pursuant to Section 7-101, and for such other approvals as may be required under the Public Utilities Act to effectuate the Reorganization.	)	

Rebuttal Testimony of

THOMAS J. WEBB

Compliance Manager
The Peoples Gas Light and Coke Company

On Behalf of
Integrys Energy Group, Inc.

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I. INTRODUCTION AND BACKGROUND

A. Identification of Witness

Q. Please state your name and business address.

A. My name is Thomas J. Webb. My business address is 200 East Randolph Street, Chicago, Illinois 60601.

Q. By whom are you employed and in what capacity?

A. I am employed by The Peoples Gas Light and Coke Company ("Peoples Gas"). I am the Compliance Manager.

Q. What are your duties as Compliance Manager?

A. I am responsible for developing, implementing, and monitoring strategies designed to establish and enhance a culture of compliance that is open and transparent throughout Peoples Gas and its affiliated Illinois utility, North Shore Gas Company ("North Shore") (together, the "Gas Companies").

My responsibilities also include: 1) developing, implementing and leading the compliance strategies, plans, policies and procedures; 2) ensuring Peoples Gas and North Shore are compliant with all applicable rules, regulations, laws and other operational requirements throughout the organization; 3) establishing effective relationships between Operations personnel, regulatory and other support organizations designed to facilitate compliance efforts while maintaining independence from compliance support functions; and 4) fostering positive and transparent relationships between Peoples Gas and North Shore, and their regulators and others having authority over the compliance obligations.

Q. Please summarize your educational background and business experience.

A. In 1983, I received a Bachelors of Science degree in Mechanical Engineering from the University of Wisconsin at Madison. After college I worked one year in the Central Foundry Division for General Motors as a Plant Engineer. In 1984, I joined Wisconsin Public Service Corporation ("WPSC"), a gas and electric utility affiliate of Peoples Gas and North Shore, as a Compliance Engineer for the Kewaunee Nuclear Plant. From 1984 through 2008, I held various positions associated with the Kewaunee and Point Beach plants in the areas of Compliance, Engineering, and Operations. My last position was Director of Plant Nuclear Safety and Licensing. In this position, I was responsible for licensing, compliance, the corrective action program, organizational effectiveness, emergency planning, chemistry, radiation protection, security, and procedures.

In 2008, I left nuclear power and from 2008 until 2012, I built a compliance program for WPSC and Upper Peninsula Power Company, a former electric utility affiliate of Peoples Gas and North Shore, to ensure sustainable compliance with the North American Electric Reliability Corporation's mandatory requirements.

In September of 2012, I joined Peoples Gas as the Compliance Manager for Peoples Gas and North Shore to ensure compliance with the mandatory requirements of the Pipeline and Hazardous Materials Safety Administration and the Pipeline Safety Section of the Commission.

B. Purposes of Rebuttal Testimony

Q. What are the purposes of your rebuttal testimony in this proceeding?

A. The purposes of my rebuttal testimony are to respond to Commission Staff witness Matthew Smith's recommendations that the Commission order Peoples Gas: (1) to implement a Pipeline Safety Management System ("PSMS") in accordance with the

American Petroleum Institute's Recommended Practice 1173 ("RP 1173"); and (2) to move all meters from inside customers' premises to accessible, outdoor locations in ten years.

C. Summary of Conclusions

Q. Please summarize the conclusions of your rebuttal testimony.

A. The conclusions of my rebuttal testimony concerning the PSMS are that, in general, the Gas Companies support the implementation of RP 1173, and Joint Applicants witness Allen Leverett addresses this in his rebuttal testimony (Joint Applicants Ex. 6.0). Doing so would be consistent with the direction the Gas Companies initiated several years ago to improve compliance and pipeline safety. However, the document is only a draft, neither the Commission Staff nor our staff is aware of any organization that has adopted the standard, and there are no accepted implementation methodologies. Therefore, the Gas Companies are hesitant to make an open-ended commitment without further definition of what successful implementation looks like.

Concerning inside meters, Staff is correct that moving meters outdoors would be beneficial and Peoples Gas is in the process of doing so in conjunction with its accelerated main replacement program. However, my conclusions are that moving all indoor meters outside in ten years from the effective date of the Reorganization would be infeasible, costly, and counterproductive.

II. PIPELINE SAFETY MANAGEMENT SYSTEM

Q. Staff witness Mr. Smith recommends that the Commission order Peoples Gas to implement a Pipeline Safety Management System ("PSMS") in accordance with the

American Petroleum Institute's Recommended Practice 1173 (Staff Ex. 3.0, 15:310 - 19:384). Does Peoples Gas oppose implementing a PSMS?

A. No, but it is premature to order implementation given the lack of specificity in RP 1173 itself. Instead, as Mr. Leverett explains, the Gas Companies propose to work with Staff on developing a stipulation concerning the development and implementation of a Pipeline Safety Management System. RP 1173 and Staff's testimony do not provide sufficient details or actual examples about what a successful program would look like or how Peoples Gas and Staff would measure its success. Consequently, further discussions would be beneficial.

Q. You stated that the RP 1173 is only a draft at this time. What concerns does that raise?

A. The fact that it is not finalized means that, to my knowledge, no state or federal regulator has required a gas company to implement a PSMS. The Gas Companies would have few, if any, peers in the gas industry to which they could look for examples of how to successfully implement a PSMS and to learn what does, and does not, work.

Q. Does being one of the first gas companies to implement RP 1173 pose any concerns?

A. Yes, it may be more difficult to put an effective program in place when models of effective programs and criteria for what constitutes an effective program are absent. Obviously there is a higher probability of program inefficiency and cost when it is the first of a kind. The freedom of a blank slate to develop a program should be weighed against not being able to draw on others' mistakes and successes. The RP 1173 is not a precise roadmap for a PSMS. Instead, it is a collection of concepts intended to provide pipeline operators with a framework to review an existing PSMS or develop and

implement a new PSMS. The vagueness and subjectivity in the document make it more difficult to assess and measure the effectiveness of the program. Thus, if the Commission ordered Peoples Gas to implement a PSMS, there would be no basis for the Commission to verify compliance. Staff has not provided any details on what a successful program would look like, let alone what specifically the Commission should require Peoples Gas to do. Consequently, while Peoples Gas does not oppose implementing a PSMS, it is reluctant to agree to this as a condition in the Order without clear expectations and guidance about what is expected and how the Commission will judge compliance. It will take significant time for Peoples Gas, working in conjunction with Staff's oversight, to turn the general guidance and principles of RP 1173 into an appropriate blueprint for a PSMS, as well as the metrics by which the Commission will determine that Peoples Gas' implementation of that design is then compliant.

Q. Does Peoples Gas have other concerns about implementing a PSMS?

A. Yes. In addition to the lack of specifics, implementation would be costly and, in its early stages, may burden resources devoted to other essential pipeline safety tasks. The Commission may find that the cost and burden are warranted, but it is important that the Commission take these factors into consideration in assessing the value of implementing RP 1173.

Q. Why could implementation be costly?

A. Making a few basic assumptions about what a successful program may require, the Gas Companies think a reasonable estimate of annual implementation costs could be approximately $1.5 million, most of which is personnel. (While the recommendation is for Peoples Gas, if the Commission directs Peoples Gas to implement a PSMS, North

Shore would likely do so as well.) Other costs would include training, audits, and culture surveys. These costs will vary widely based on assumptions of the methodology to implement RP 1173 and optimum speed to make cultural changes and depending on expectations set for the new organization. A fundamental assumption of RP 1173 is that minor issues will be evaluated and corrective action initiated for minor issues to prevent larger issues. The expectations for the level of issues reviewed and the thoroughness of this analysis will significantly influence the cost of the program. Also influencing the cost will be the expectation for the promptness of corrective action coming from these cause evaluations.

Q. Please expand on your concern that implementing a PSMS could be burdensome.

A. In order to be successful in the long run, a PSMS needs to consider how culture changes may improve processes, in order to enable the organization to function more efficiently. Such culture changes, by definition, take a significant amount of time. However, in the short run, the PSMS organization will introduce another layer of process and review to departments responsible for pipeline safety tasks. If it is effective, the PSMS will drive culture changes, and that change will occur over time. The PSMS will identify new issues that require time to address and process changes to resolve. The efficiencies and improved performance that a successful PSMS will produce will not happen overnight and adapting to the new structure will be disruptive to personnel performing pipeline safety tasks. If the PSMS is successful, this disruption will produce long-term benefits, but, in the short-term, personnel will be adapting to the PSMS structure while continuing to complete pipeline safety work. It will not be "business as usual" for pipeline safety staff and, while that may improve performance, until culture and process changes are

embedded in the organization, pipeline safety personnel will be continuing to perform required work and adopting the PSMS.

III. INSIDE METERS

Q. Mr. Smith recommended that the Commission order Peoples Gas to move all inside customer meters to accessible outside locations within ten years of the effective date of the Reorganization (Staff Ex. 3.0, 15:305-309). Does Peoples Gas have concerns about this recommendation?

A. Yes. First, it is not feasible to move all customer meters outdoors. Second, the recommendation assumes that indoor locations are not accessible, which is not necessarily true. Third, moving meters supplied by the low pressure cast iron main system outside will result in reduced reliability of service. Fourth, it would be extremely costly to meet this requirement. Fifth and related to the fourth point, it would be inefficient and could interfere with progress on Peoples Gas' Accelerated Main Replacement Program ("AMRP").

Q. Does Peoples Gas agree that moving meters outside would be generally beneficial?

A. Yes. Peoples Gas agrees with Mr. Smith that indoor meters necessitate the completion of inside safety inspections and hinders the performance of other operations, such as disconnecting service in emergency situations and when unauthorized use is occurring. Peoples Gas shares Staff's goal of moving most meters to accessible locations and is including this effort as part of its AMRP. However, Peoples Gas questions the feasibility of moving all meters outdoors and the prudence of attempting to do so in ten years.

Q. How many indoor meters does Peoples Gas have in service?

A. Peoples Gas has approximately 593,000 active indoor meters and another 102,000 inactive indoor meters.

Q. What does moving meters outdoors entail?

A. When done in conjunction with accelerated main replacement, a new medium pressure service pipe is installed along with an outside riser at the customer building wall to facilitate the installation of a new outdoor regulator and meter set. A new service entry hole is drilled above the foundation wall and the piping from the outlet of the meter is inserted in the hole. Indoor piping is rerouted as needed to connect with the outlet piping from the outdoor meter.

If the meter move is done on an existing low pressure service made of newer plastic pipe, the old service pipe is cut at the building wall and a new riser is installed on the existing service pipe to facilitate installation of the outdoor meter. A new service entry hole is drilled above the foundation wall as described above and indoor customer fuel piping is revised as needed to connect with the outlet piping from the outdoor meter.

If the existing low pressure service pipe is made of a vulnerable material such as clear plastic, bare steel, or copper, a new plastic low pressure service will be installed along with the riser. The remainder of the installation remains the same as above.

Q. You stated that it is not feasible to move all meters outdoors. Why not?

A. For a single family home, moving a meter outdoors is generally not difficult if adequate space exists to place the meter in a safe outdoor location. However, in Chicago, there is not always a safe location to place the meter, especially because a customer has a right under the Commission's rules (83 Illinois Administrative Code § 500.170(a)) to refuse to allow the meter to be placed in front of the residence. For commercial customers, space

can present a problem. For example, a business that abuts the sidewalk or other public way may have no suitable location for an outdoor meter. Multi-unit buildings with individually metered units are more complex. Space limits may make it difficult and costly to place all the meters outdoors.

Q. You questioned whether all meters need to be outdoors. Can indoor meters be accessible?

A. Yes. For example, large multi-unit buildings often have staff present twenty-four hours a day who can provide access to meters located in common areas of the building. Even meters located in individual units in a multi-unit building are accessible in rental properties with a landlord or property manager on the premises who has a right to access the units. Commercial buildings are another example where indoor meters typically do not interfere with inside safety inspections because the building is staffed during business hours.

Q. Why are outside meters on low pressure systems less reliable?

A. One of the challenges of operating low pressure cast iron main systems is that they are susceptible to water infiltration. The hydraulic head of the water easily exceeds the roughly 0.25 psig operating pressure of the low pressure cast iron main system. When water infiltrates the cast iron gas mains the natural gas also become saturated with water. When this saturated gas is exposed to freezing temperatures in above ground risers and meters, the water condenses and freezes in outdoor meters. This disrupts service to customers and requires field crews to change out meters and search for sources of underground water. It is not uncommon to change out meters at the same location on

consecutive days until weather warms or water leaks are resolved. Peoples Gas has moved some low pressure meters back indoors after initially installing them outdoors.

Q. You stated that Peoples Gas shares Mr. Smith's goal and is moving meters outside. Why do you contend that the proposal is costly?

A. The cost concern arises primarily from the requirement to act within ten years and secondarily from the proposal that all meters be outside. If Peoples Gas must complete this task in ten years, it will no longer be able to coordinate the project with the AMRP. As discussed below, that introduces inefficiencies and will increase costs. As discussed above, the proposal to move all meters outside is not feasible. If the Commission does not at least temper Staff's proposal to recognize, for example, that accessible indoor locations are an acceptable alternative, space will not permit an outdoor meter in all cases, space limitations that may occur when moving large numbers of meters from a multi-unit building outdoors outweigh the benefits, and placing outdoor meters on low pressure systems may create reliability issues, that will increase costs.

Q. How would the proposal be inefficient and potentially interfere with the AMRP?

A. Peoples Gas' current program to move meters outside is coordinated with the AMRP, which is on a twenty-year timetable. The link with AMRP creates efficiencies for Peoples Gas and is more convenient for customers. The main, service and meter work can all be done as part of the same project. The coordination also means the meters are on a medium pressure system, which addressed the water infiltration problem I described above. Requiring all meters to be outside in ten years would mean that Peoples Gas could no longer tie the two projects together. In addition to introducing inefficiencies, it

may require diverting resources from AMRP to moving meters in order to meet the ten-year requirement.

Q. At what rate has Peoples Gas been able to move meters outside as part of the AMRP?

A. For the period 2011 through November 2014, 83.4% of new medium pressure AMRP service pipelines have had all meters moved outside.

Q. Does this conclude your rebuttal testimony?

A. Yes.